Independent Auditor's Reports
Financial Statements and
Required Supplementary Information
Schedule of Findings

June 30, 2011

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants
CARROLL, IOWA

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# Officials

<u>Name</u>	<u>Title</u>	Representing
Marty Danzer Edgar Hunt Keith Dorpinghaus Jim Pedelty	Chairperson Vice-Chairperson Secretary-Treasurer Member	Carroll County City of Lanesboro City of Coon Rapids City of Carroll
Harvey Dales	Member	City of Manning
Mary Wittry Muriel McDermott	Director Office Manager	

#### OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

PARTNERS
RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
TRUDENE L. WITTMAACK
KARLA L. FULTON
TAMMY M. BRUCH
ROBERT L. MUHLBAUER

INDEPENDENT AUDITOR'S REPORT

1127 PLAZA DR. VILLAGE PARK EAST CARROLL, IOWA 51401 712792-4314 FAX 712792-4503

To the Board of Directors Carroll County Solid Waste Management Commission

We have audited the accompanying financial statements of Carroll County Solid Waste Management Commission, (the Commission), as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2011 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 10 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

OLSEN, MUHLBAUER & CO., L.L.P.

Olsen, Mallbour & Co. LLP

Certified Public Accountants

Carroll, Iowa October 21, 2011

Carroll County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

#### Statement of Purpose

The Carroll County Solid Waste Management Commission was formed in 1971 with the express intent of providing cost-effective and environmentally sound solid waste management options for the citizens of Carroll County.

The Goals of the Commission remain the same as they were in 1971:

- to operate a cost-effective solid waste facility;
- to operate an environmentally sound solid waste facility;
- to comply with federal and state solid waste management regulations for operating a solid waste management facility including compliance with the waste management hierarchy
  - ~ source reduction
  - ~ recycling
  - ~ energy recovery
  - ~ volume reduction
  - ~ state-of-the-art land filling
- to educate users of the Commission's facilities about proper waste management.

#### Financial Highlights

- The Commission's operating revenues increased by 7.63%, or \$178,456, from fiscal 2010 to fiscal 2011. Tipping fees increased minimally by almost 1% where product sales increased substantially by over 32% due to market price of processed materials.
- The Commission's operating expenses increased by \$2,605 compared with operating expenses from fiscal 2010.
- The Commission's net assets increased 7.80%, or \$623,478, from June 30, 2010 to June 30, 2011.

#### Using This Annual Report

The Carroll County Solid Waste Management Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Carroll County Solid Waste Management Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as shown on the following page.

#### Using This Annual Report (Continued)

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statements of Revenues and Expenses, and Changes in Net Assets are the basic statements of activities for proprietary funds. These statements present information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

#### Financial Analysis of the Commission

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2011 totaled approximately \$8,621,000. This compares to approximately \$7,997,000 for fiscal 2010. A summary of the Commission's net assets is presented below:

Net Assets		-
	June	30,
	<u>2011</u>	<u>2010</u>
Current Assets	4,141,517	4,342,927
Restricted Investments	1,626,861	1,454,068
Capital Assets at Cost, Less Accumulated Depreciation	3,956,281	3,305,696
Total Assets	9,724,659	9,102,691
Current Liabilities	188,686	263,325
Noncurrent Liabilities	915,060	841,931
Total Liabilities	1,103,746	1,105,256
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,956,281	3,305,696
Restricted	1,626,861	1,454,068
Unrestricted	3,037,771	3,237,671
Total Net Assets	8,620,913	7,997,435

#### Financial Analysis of the Commission (Continued)

The largest portion of the Commission's net assets (46%) is represented by investments in capital assets. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The amount restricted for closure and post-closure care is \$1,626,861. The remaining net assets are the unrestricted net assets that can be used to meet the Commission's obligations as they come due. Unrestricted net assets also include \$1,507,453 designated landfill expansion funds and \$673,329 designated for debt retirement/equipment acquisition.

# Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for tipping fees from accepting solid waste, assessments from the residents of the County, recycling processing fees and product sales. Operating expenses are paid to operate the landfill, recycling center and household hazardous waste and education programs. Non-operating revenues and expenses include interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2011 and 2010 is presented below:

Changes in Net Ass	sets	
	Year Ended June 30,	
	<u>2011</u>	2010
Operating Revenue		<del></del>
Tipping Fees	1,499,351	1,486,790
Community Assessments	254,000	254,000
Product Sales and Processing Fees	659,310	509,721
Other Operating Revenues	110,190	89,097
Total Operating Revenue	2,522,851	2,339,608
Operating Expenses		
Salaries	386,403	397,192
Employee Benefits	150,557	149,550
Machinery Maintenance, Labor and Parts	104,119	96,109
Oil and Gas	88,661	75,709
Long Range Planning and Engineering	80,688	138,215
Site Maintenance	29,088	27,664
Site Utilities	43,262	38,017
Office Expense	6,154	5,136
Training and Travel	3,933	3,433
Legal and Accounting	10,785	11,028
Insurance	63,231	55,061
Closure and Post-closure Care Costs	73,129	64,797

(Continued)

# Statement of Revenues, Expenses and Changes in Net Assets (Continued)

Changes in Net Assets		
	Year Ende	d June 30,
On susting E	<u>2011</u>	<u>2010</u>
Operating Expenses		
Planning and Recycling Expenses	52,016	50,592
Iowa Department of Natural Resources Tonnage Fees	188,097	164,350
Lab Fees	20,631	43,896
Amorization and Depreciation	515,251	496,947
Non-capitalized Equipment and Supplies	38,846	36,022
Contracted Services	104,719	104,079
Miscellaneous	9,282	8,450
Total Operating Expenses	1,968,852	1,966,247
Operating Income	553,999	373,361
Non-operating Revenues (Expenses)		
Interest Income	69,479	93,250
Loss on Disposal of Fixed Assets	0	(8,705)
Net Non-operating Revenue	69,479	84,545
Increase in Net Assets	623,478	457,906
Net Assets Beginning of Year	7,997,435	7,539,529
Net Assets End of Year	8,620,913	7,997,435

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2011, operating revenues increased by \$183,243 from fiscal 2010 to fiscal 2011. Tipping fees increased by \$12,561 and product sales increased by \$147,089. Operating expenses increased by \$2,605. Some areas of significant change include the following: Closure and Post-closure Care Costs increased by \$8,332, Long Range Planning and Engineering expenses decreased by \$57,527 and Amortization and Depreciation increased by 18,304.

#### Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes tipping fees, assessments and recycling reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing includes purchase of certificates of deposits and interest income.

#### Capital Assets

At June 30, 2011 the Commission had approximately \$8,352,000 invested in capital assets, with accumulated depreciation of approximately \$4,395,000. Depreciation charges totaled \$515,251 for fiscal 2011. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

#### Long-term Debt

At June 30, 2011 and 2010, the Commission did not have any outstanding debt. In addition, the Commission has recorded an estimated liability for the current cost of closure and post-closure care in the amount of \$915,060 for 2011 and \$841,931 for 2010.

#### **Economic Factors**

Carroll County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities and equipment owned and operated by the Commission require constant maintenance, upkeep and upgrades.
- Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.
- Mandatory annual deposits required to be made to closure and post-closure accounts are based on constantly
  changing cost estimates and the number of tons of solid waste received at the facility. These deposits will
  continue to increase with increased costs due to additional monitoring required by the landfill rules in
  Chapter 113.
- Volatile market prices for processed recyclable materials continue to present a budgeting challenge.
   Fluctuating tonnage delivered for processing due to outside organizations, companies, and individuals marketing the products directly presents staffing and budgeting challenges.
- The Iowa Department of Natural Resources mandated that all permitted landfills start placing waste on a lined cell by October 1, 2007. The Commission continues to be in a position to accept additional solid waste from other counties, should the opportunity arise.
- The Commission stopped burying waste in the original landfill area as of July 2006. The area consists of 31.2 acres and closure was completed in the fall of 2007 with the 30-year post-closure period starting at that time.
- The revised Chapter 113 rules Sanitary Landfills Municipal Solid Waste became effective in December 2007. The revised rules have and will continue to have a substantial financial impact on the Commission's budget due to the increased costs in complying with the rules.

# **Economic Factors (Continued)**

- The full Commission approved a tipping fee of \$40 per ton for the 2010-2011 fiscal year with the assessment fee of approximately \$11.85 per capita remaining the same.
- The life cycle cost analysis update was completed in fiscal year end 2011, which gives the Commission a longterm financial picture using current information.
- Additional rules and regulations from the Environmental Protection Agency (EPA) and the Iowa Department
  of Natural Resources (DNR) Air Quality Division will increase the Commission's expenses to be in
  compliance.

It is estimated that airspace available to continue disposal operations will be available through 2038 with the current waste flow. The Commission has adopted a policy of restricting solid waste fees collected from outside counties for future expansion. The amount so designated at June 30, 2011 is \$1,962,218.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

# Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact Carroll County Solid Waste Management Commission, 19111 Kittyhawk Avenue, Carroll, Iowa 51401.

# Statement of Net Assets June 30, 2011

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Current Assets		
Cash and Cash Equivalents	1,025,150	
Certificate of Deposits	2,865,463	
Accounts Receivable (Net of Allowance \$359)	184,300	
Interest Receivable	21,423	
Inventory	25,275	
Prepaid Assets	19,906	
Total Current Assets		4,141,517
Noncurrent Assets		
Capital Assets:		
Land	515,765	
Buildings	1,539,287	
Landfill Improvements	3,907,696	
Landfill Equipment	1,471,967	
Recycling Equipment	892,949	
Office Equipment	24,106	
Less: Accumulated Depreciation	(4,395,489)	
	3,956,281	
Restricted Investments	1,626,861	
Total Noncurrent Assets		5,583,142
Total Assets		9,724,659

# Liabilities and Net Assets

Current Liabilities		
Accounts Payable	123,288	
Accrued Compensated Absences	13,374	
Retainage Payable	52,024	
Total Current Liabilities		188,686
Noncurrent Liabilities		
Landfill Closure and Post-closure Care Costs	915,060	
Total Noncurrent Liabilities		915,060
Total Liabilities		1,103,746
Net Assets		
Invested in Capital Assets, net of Related Debt	3,956,281	,
Restricted For:		
Closure and Post-closure Care	1,626,861	
Tonnage Fees Retained	0	
Unrestricted	3,037,771	
Total Net Assets		8,620,913

# Statement of Revenues and Expenses For Year Ended June 30, 2011

Operating Revenues:		
Tipping Fees		1,499,351
Community Assessments		254,000
Outside County Processing Fees		55,652
Product Sales		603,658
Farm Rent & Miscellaneous		33,361
DNR Fees Retained - Groundwater Protection		76,829
Operating Expenses:		2,522,851
Salaries	386,403	
Employee Benefits	150,557	
Advertising	15,745	
Amortization and Depreciation	515,251	
Cleaning	3,204	
Closure and Post-closure Care Costs	73,129	
Drop Box Service	36,271	
Education and Training	1,340	
Long Range Planning and Engineering	80,688	
Fuel	88,661	
Freight	12,840	
Insurance	63,231	
Iowa DNR Tonnage Fee	188,097	
Lab Fees	20,631	
Legal and Accounting	10,785	
Miscellaneous	•	
Office Supplies	9,282	
Outside Services	6,154	
Repairs and Improvements	65,950	
Site Maintenance	104,119	
Supplies - General	29,088	
Telephone	38,846	
Toxic Waste Fees	2,393	
Travel	22,725	
Utilities	2,593	1.060.060
omnies	40,869	1,968,852
Operating Income		553,999
Non-Operating Revenue/(Expenses)		
Interest Income	69,479	
Net Non-Operating Revenues		69,479
Increase in Net Assets		623,478

The accompanying notes are an integral part of these financial statements.

# Statement of Changes in Net Assets For Year Ended June 30, 2011

			Restri	cted	
	Unrestricted Operating <u>Fund</u>	Investment in Capital <u>Assets</u>	Regulatory Requirements	DNR Fees Retention Fund	<u>Total</u>
Balance- Beginning of Year	3,237,671	3,305,696	1,454,068	0	7,997,435
Increase in Net Assets	596,567	0	26,911	0	623,478
Transfers (Net)	(796,467)	650,585	145,882	0	0_
Balance - End of Year	3,037,771	3,956,281	1,626,861	0	8,620,913

# Statement of Cash Flows For Year Ended June 30, 2011

Cash Flows from Operating Activities: Cash Received from Tipping Fees Cash Received from Assessments Cash Received from Product Sales and Processing Fees Cash Received from Other Operating Receipts Cash Paid to Suppliers for Goods and Services Cash Paid to Employees for Services	1,524,754 254,000 654,523 110,190 (974,876) (545,340)	
Net Cash Provided by Operating Activities		1,023,251
Cash Flows from Capital and Related Financing Activities: Purchase of Property and Equipment Retainage Payable	(1,165,836) 52,024	
Net Cash Used by Capital and Related Financing Activities		(1,113,812)
Cash Flows from Investing Activities: Purchase of Certificates of Deposit - Restricted Purchase of Certificates of Deposit - Unrestricted Redemption of Certificates of Deposit - Unrestricted Interest Received	(172,793) (56,459) 578,602 85,533	
Net Cash Provided by Investing Activities		434,883
Net Increase in Cash and Cash Equivalents		344,322
Cash and Cash Equivalents at Beginning of Year		680,828
Cash and Cash Equivalents at End of Year		1,025,150
Reconciliation of Operating Income to Net Cash Provided by Operating Activities: Operating Income Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		553,999
Depreciation and Amortization	515,251	
Closure and Post-closure Costs	73,129	
Changes in Assets and Liabilities:  Decrease Accounts Receivable Increase Inventory Increase Prepaid Assets Decrease Accounts Payable Decrease Accounts Compensated Absences	20,616 (12,575) (506) (118,283) (8,380)	
Total Adjustments		469,252
Net Cash Provided by Operating Activities		1,023,251

The accompanying notes are an integral part of these financial statements.

### Note to Financial Statements June 30, 2011

#### Note 1 – Summary of Significant Accounting Policies

#### **Organization**

The Carroll County Solid Waste Management Commission (the Commission) is a joint undertaking of Carroll County and the municipalities of Carroll County organized pursuant to the provisions of Code Section 28E of the Iowa Code. The Commission was established for the purpose of developing, operating, and maintaining solid waste facilities for and on behalf of the municipalities who are members. In 1990, construction was completed on a recycling plant for Carroll County. Since becoming operational in November 1990, the plant has become a regional center for recycling.

The Commission is composed of an elected representative from the governing body of each participating governmental jurisdiction. A five-member executive board is elected, consisting of a member from the City of Carroll, a representative from the Carroll County Board of Supervisors and three at-large members. Each member shall be entitled to one vote for each 1,000 people or fraction thereof as determined by the most recent general federal census.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### Reporting Entity

For financial reporting purposes, the Carroll County Solid Waste Management Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units, which meet the Governmental Accounting Standards Board criteria.

#### Basis of Presentation

The accounts of the Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

#### Note to Financial Statements June 30, 2011

# Note 1 – Summary of Significant Accounting Policies (Continued)

#### Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as applicable authoritative pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

#### Cash, Investments and Cash Equivalents

The Commission considers all unrestricted cash and short-term investments that are highly liquid, with an original maturity of three months or less to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2011 include certificates of deposits of \$4,490,322.

#### Restricted Assets

Funds set aside for payment of closure and post-closure care costs are classified as restricted as detailed in Note 3.

#### Accounts Receivable

Accounts receivable are carried at cost less an allowance for doubtful accounts. The provision for uncollectible accounts is based upon the age and collectability of specific accounts. The Commission grants credit to customers, many of who are local haulers or residents. Interest accrues on accounts 30 days after invoice date, however, there is no formal policy on accounts 90 days past due. The balance of accounts over 90 days past due at June 30, 2011 was \$1,334.

### Note to Financial Statements June 30, 2011

# Note 1 – Summary of Significant Accounting Policies (Continued)

#### Inventory

Inventory that is recorded on the books at June 30, 2011, consists of recycling bags and bins which are carried at cost, principally on a first-in, first-out basis, but not in excess of market. The recycling center also has on hand marketable processed recyclables; however, no system has been developed that would allow for a reasonable estimation of the processing cost. Until these costs can be accumulated with some accuracy, they will continue to be expenses as incurred.

# Capital Assets

Capital Assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over fifteen to twenty-five years and equipment is depreciated over a five to fifteen year life.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess \$1,000 and estimated useful lives in excess of one year.

In accordance with Governmental Accounting Standards, the lives of certain facilities and equipment may be adjusted to coincide with the remaining estimated useful life of the landfill. In addition, equipment and facilities included in the estimated total current cost of closure and post-closure care are not reported as capital assets, but will be reported as a reduction of the accrued liability when they are acquired.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2011.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# Note to Financial Statements June 30, 2011

# Note 1 – Summary of Significant Accounting Policies (Continued)

#### Compensated Absences

Commission employees accumulate earned but unused vacation hours and personal time off (PTO) hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and PTO has been computed based on rates of pay in effect at June 30, 2011, and is treated as a current payable at that date.

#### **Advertising Costs**

The cost of advertising is expenses as incurred.

#### Note 2 – Cash and Investments

The Commission's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Standards Board Statement No. 3, as amended by Statement No. 40.

# Note 3 - Restricted Funds

The Commission has established accounts, designated for the following purposes:

Closure and Post-closure Care Costs	\$ 1,626,861
Equipment Additions	\$ 673,329
Future Landfill Expansion	\$ 1,507,453

# Note to Financial Statements June 30, 2011

Note 4 – Capital Assets

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	515,765	0	0	515,765
Capital assets being depreciated:				
Buildings	1,539,287	0	0	1,539,287
Equipment	2,386,927	16,145	(14,050)	2,389,022
Landfill Improvements	2,745,360	1,162,336	0	3,907,696
Total capital assets being depreciated	6,671,574	1,178,481	(14,050)	7,836,005
Less accumulated depreciation for:				
Buildings	774,687	44,694	0	819,381
Equipment	1,517,703	144,041	(1,405)	1,660,339
Landfill Improvements	1,589,253	326,516		1,915,769
Total accumulated depreciation	3,881,643	515,251	(1,405)	4,395,489
Total capital assets being depreciated, net	2,789,931	663,230	(12,645)	3,440,516
Total capital assets, net	3,305,696	663,230	(12,645)	3,956,281

Equipment includes \$20,606 of assets originally acquired under a capital lease with accumulated depreciation totaling \$20,606, including \$4,615 of depreciation for the year ended June 30, 2011. Lease amortization is included in current year depreciation. The leased equipment consists of a New Holland Tractor.

#### Note to Financial Statements June 30, 2011

# Note 5 - Closure and Post-closure Care Cost

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for Carroll County Solid Waste Management Commission have been estimated at \$756,398 for closure and \$1,521,306 for post-closure, for a total of \$2,277,704 as of June 30, 2011, and the portion of the liability that has been recognized is \$915,060. These amounts are based on what it would cost to perform all closure and post-closure care during the year ended June 30, 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the expected usable landfill area is forty-two years.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2011, assets of \$1,626,861 are restricted for these purposes, of which \$495,931 is for closure and \$1,130,930 is for post-closure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

# Note to Financial Statements June 30, 2011

# Note 5 – Closure and Post-closure Care Cost (Continued)

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and post-closure care costs are not fully funded, the Commission is required to demonstrate financial assurances for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under the mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

NP	=	CE - CB
		Y
NP	=	next payment
CE	=	total required financial assurance
CB	=	current balance of the fund
Y	=	number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and post-closure care account requirements. Accordingly, the Commission is not required to establish closure and post-closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

# Note 6 - Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50 percent of their annual covered salary and the Commission is required to contribute 6.95 percent of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 was \$26,636, \$25,400 and \$25,400 respectively, equal to the required contributions for each year.

#### Note to Financial Statements June 30, 2011

#### Note 7 – Other Post-employment Benefits

The Commission does not participate in, nor sponsor, any post-employment benefit plans.

# Note 8 – Agreements with Outside Counties

The Commission has entered into a number of contracts with outside counties to provide landfill and/or recycling services. The agreements expire on various dates through 2015. Generally, while landfill usage affects the life of the current space available, recycling services are being offered without significantly increasing expenses.

#### Note 9 – Risk Management

The Commission is exposes to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. General liability coverage is provided through membership in the Iowa Communities Assurance Pool. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

# Note 10 - Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2011, there were no unspent amounts retained by the Commission.

#### Note 11 – Subsequent Events

The Commission has evaluated subsequent events through October 21, 2011, the date on which the financial statements were made available to be issued. In July of 2011, the Commission opened the most recent new cell in the western expansion area.

# OLSEN, MUHLBAUER & CO., L.L.P.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Members of the Carroll County Solid Waste Management Commission

We have audited the accompanying financial statements of Carroll County Solid Waste Management Commission as of and for the year ended June 30, 2011, and have issued our report thereon dated October 21, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

# Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Carroll County Solid Waste Management Commission financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Carroll County Solid Waste Management Commission's internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under <u>Government Auditing Standards</u>. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Carroll County Solid Waste Management Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and constituents of Carroll County Solid Waste Management Commission and other parties to whom the Commission may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Olsen, Muhlbauer & Co., L.C.A.
OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

Carroll, Iowa

October 21, 2011

# Schedule of Findings For Year Ended June 30, 2011

# Findings Related to the Financial Statements:

#### **INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

# **INTERNAL CONTROL DEFICIENCIES:**

- (A) <u>Segregation of Duties</u> An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that generally one person has control over each of the following areas for the Commission.
  - 1) Accounting System record keeping for revenues and expenses, and related reporting.
  - 2) Receipts collecting, depositing, journalizing and posting.
  - 3) Bank Reconciliation preparation and maintenance of accounting records.
  - 4) Payroll changes to master list, preparation and distribution.

<u>Recommendation</u> – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

<u>Response</u> – Due to the limited number of office employees, segregation of duties is very difficult, however, we will have the Director review receipts, posting and payroll on test basis and bank reconciliations monthly.

Conclusion - Response accepted.

(B) Financial Reporting and Financial Statement Preparation – Internal controls over financial reporting include the preparation and review of financial statements, including footnote disclosure, for external reporting. As auditors, we are engaged to assist in preparation of the Commission's financial statements and related disclosures; however, we cannot be considered part of the Commission's internal control system. As is common for most smaller governmental entities, management lacks the expertise to effectively detect potential errors in the financial statement close process and resulting financial statements.

Recommendation – The Commission should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. The review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and knowledge of the Commissions operations.

<u>Response</u> – We will implement all reasonable review procedures; however, it is not fiscally responsible to add additional staff at this time.

Conclusion - Response accepted.

### Schedule of Findings For Year Ended June 30, 2011

# Other Findings Related to Statutory Reporting:

- 1) <u>Questionable Expenses</u> We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 2) <u>Travel Expense</u> No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- 3) <u>Board Minutes</u> No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 4) <u>Deposits and Investments</u> The Commission has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 5) Solid Waste Fees Tonnage Retainage During the year ended June 30, 2011, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- 6) <u>Financial Assurance</u> The Commission has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

_	New Site		Old Site
_	Closure	Postclosure	Postclosure
Total estimated costs for closure and post-closure care Less: Balance of funds held in the local dedicated fund	756,398	889,804	631,502
at June 30, 2010	(414,534)	(414,534)	(625,000)
D' 1 11 d	341,864	475,270	6,502
Divided by the number of years remaining in the pay-in-period (or life of cell if shorter) ÷	<u>42</u> ÷	42 ÷	- n/a
Required Payments into the local dedicated fund for the year ended June 30, 2011	8,140	11,316	6,502
Balance of funds held in the local dedicated fund as June 30, 2010	414,534	414,534	625,000
Required balance of funds to be held in the local dedicated fund at June 30, 2011	422,674	425,850	631,502
Amount Commission has restricted for closure and post-closure care at June 30, 2011	495,931	495,930	635,000

# Audit Staff

# This audit was performed by:

Patrick J. O'Brien, CPA, Partner

Richard D. Muhlbauer, CPA, Partner

Robert L. Muhlbauer, CPA, Partner